

Message Text

UNCLASSIFIED

PAGE 01 ISLAMA 07358 200746Z

21

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04

SIL-01 PA-02 PRS-01 /094 W
----- 071894

R 200607Z JUL 76

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 6624

INFO AMEMBASSY KABUL

AMCONSUL KARACHI

AEMBASSY DACCA 1788

AMCONSUL LAHORE

AMEMBASSY NEW DELHI

AMCONSULATE PESHAWAR

UNCLAS ISLAMABAD 7358

E.O.11652:N/A

TAGS: PGOV, PK,

SUBJECT: GOP NATIONALIZES COTTON-GINNING, RICE-HUSKING
AND FLOUR MILLS

SUMMARY: IN A SURPRISE ACTION ON JULY 17, PRIME MINISTER BHUTTO ANNOUNCED THE NATIONALIZATION OF COTTON-GINNING, RICE-HUSKING, AND WHEATFLOUR MILLS INPAKISTAN, THE TOTAL NUMBER COMING TO ABOUT 2,200 UNITS. COMPENSATION WAS PROMISED FAND FOREIGN-OWNED MILLS WERE EXEMPTED. A NEW MINISTRY FOR AGRARIAN MANAGEMENT WAESTABLISHED TO OVERSEE THE NEW UNITS , WITH SYED QAIM ALI SHAH GILANI, THE FORMER MINISTER OF INDUSTRIES, APPOINTED AS THE NEW MINSTER . NATIONALIZATION WAS EXPLAINED AS BEING NEEDED TO ELIMINATE THE ROLE OF THE "INSIDIOUS MIDDLEMAN". AND TO END THE WIDESPREAD PRACTICE OF ADULTERATING WHEAT FLOUR. THE PM CLAIMED THAT SINCE THE AFFECTED SECTOR DOES NOT CONSTITUTE AN "INDUSTRY" THE ACTION DOES NOT REPRESENT UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ISLAMA 07358 200746Z

ANY DEVIATIOFROM PUBLIC PLEDGES THAT THERE WILL BE NO

MORE NATIONALIZATION OF INDUSTRY DURING THE GOVERNMENT'S PRESENT TERM OF OFFICE. THE DIRECT SIGNIFICANCE OF THE ACTION FOR THE US SEEMS MINIMAL ALTHOUGH THE ACTION HARDLY ENCOURAGES PRIVATE INVESTMENT. END SUMMARY.

1. IN AN ACTION WHICH CAUGHT THE COUNTRY BY COMPLETE SURPRISE AND HAD IN NO WAY BEEN ANTICIPATED, BHUTTO ANNOUNCED VIA NATION-WIDE RADIO AND TV ON JULY 17 THE TAKE-OVER OF COTTON-GINNING, RICE-HUSKING AND FLOUR -MILLING UNITS, NUMBERING 2,196. OWNERSHIP AND MANAGEMENT OF THESE UNITS WILL BE VESTED RESPECTIVELY IN THE EXISTING STATE-OWNED COTTON TRADING CORPORATION, IN A NEW RICE MILLING CORPORATION, AND IN PROVINCIAL WHEAT FLOUR MILLING CORPORATIONS TO BE SET UP, ALL TO BE COORDINATED BY THE NEW MINISTRY OF AGRARIAN MANAGEMENT.

2. THE FORMER MINISTER OF INDUSTRIES, KASHMIR AFFAIRS AND NORTHERN AFFAIRS, SYED QAIM ALI SHAH GILANI, HAS BEEN NAMED MINISTER OF AGRARIAN MANAGEMENT, KASHMIR AFFAIRS AND NORTHERN AFFAIRS, WHILE CH. MUMTAZ AHMED HAS BEEN APPOINTED MINISTER OF STATE FOR AGRARIAN MANAGEMENT. FOR THE NEW MINISTER, THIS WILL REPRESENT HIS THIRD PORTFOLIO CHANGE IN DUTIES IN TWELVE MONTHS' TIME. MIAN ATTAULLAH, MINISTER OF STATE FOR EDUCATION, HAS BEEN NAMED THE NEW MINISTER OF INDUSTRIES.

3. IN HIS ADDRESS, PM BHUTTO SAID THAT THE NEW NATIONALIZATION ACTION WILL NOT APPLY TO MILLS WHICH ARE UNDER FOREIGN OWNERSHIP. THESE, HE SAID WILL CONTINUE IN THE PRIVATE SECTOR AND, HE ADDED, THAT: WE ARE SOLEMNLY COMMITTED TO EXEMPT FOREIGN INVESTMENT FROM COMPULSARY STATE REQUISITION. "THE BRITISH EMB REPORTS THAT THERE ARE ABOUT TWO BRITISH COTTON-GINNING MILLS IN PAKISTAN BUT KNOWS OF NO OTHER FOREIGN-OWNED UNITS. FROM CONGEN LAHORE, WE UNDERSTAND THAT AN AMERICAN WIFE OF A PAKISTANI HAD CAPITAL INVESTED IN A COTTON-GINNING MILL IN SIND BUT THE PARTICULARS ARE AS YET UNCLEAR.

4. IN HIS STATEMENT, PM BHUTTO STRESSED THAT THE NATIONALIZATION ACTION SHOULD NOT BE CONSTRUED AS BEING INCONSISTENT

UNCLASSIFIED

PAGE 03 ISLAMA 07358 200746Z

WITH HIS OFT REPETATED PLEDGE THAT THERE SHALL BE NO FURTHER NATIONALIZATION OF INDUSTRY DURING THE TERM OF THIS PRESENT GOVERNMENT. THE ACTION IS NEVERTHELESS SURE TO BE VIEWED ADVERSELY BY THE PRIVATE SECTOR AND CAN HARDLY BE INTERPRETED AS SERVING TO ENCOURAGE NEW PRIVATE INVESTMENT. THE LAST FEDERAL NATIONALIZATION ACTION TOOK PLACE IN JANUARY 1974. FOLLOWING EARLIER MORE SWEEPING NATIONALIZATION ACTIONS IN 1972. A STATEMENT

LAST YEAR THREATENING NATIONALIZATION OF ROAD TRANSPORT, PARTICULARLY BUSES, WAS LATER RETRACTED. LAST WEEK, ON JULY 15, IT WAS ANNOUNCED IN AZAD KASHMIR THAT THE TIMBER TRADE IN THAT GOVERNMENT AREA WAS NATIONALIZED WITH EFFECT FROM JUNE 30, 1976 BUT THIS WAS A LOCAL ACTION OF SMALL SIGNIFICANCE NATIONALLY.

5. THE ECONOMIC REASONS FOR THE NATIONALIZATION ACTION ARE NOT FULLY CLEAR DESPITE THE PM'S LONG EXPLANATION AND A GREAT DEAL OF SUBSEQUENT VERBIAGE BY GOVERNMENT SPOKESMEN AND THE GOVERNMENT PRESS. ACCORDING TO THE PM, THE ACTION IS DESIGNED TO TRANSFORM THE AFFECTED SECTOR BY ELIMINATING "ALL THESE FORCES WHICH STUNT SOCIETY'S GROWTH AND CONDEMN THE VAST MAJORITY OF THE POPULATION TO UTTER HELPLESSNESS". IT SERVES TO ELIMINATE THE MIDDLEMAN (E.G. COTTON GINNER OR PADDY HUSKER) WHO HAS "SUCKED THE FARMER'S BLOOD AND KEPT THE CONSUMER AT HIS MERCY". IT WILL ALSO END ADULTERATION AND SHORT-WEIGHTING OF WHEAT FLOUR, AND "GUARANTEE A REMUNERATIVE PRICE TO THE FARMER" FOR THE PRODUCE HE DELIVERS TO THE MILLS.

6. AS COULD BE EXPECTED THE ACTION HAS BEEN HAILED BY A PARADE OF GOVERNMENT LEADERS AND PRIVATE PARTIES AND THE CONTROLLED PRESS. NO HINT OF DISAPPROVAL HAS APPEARED ANYWHERE IN THE PRESS.

7. EMB COMMENT: THE NATIONALIZATION ACTION WOULD SEEM TO HAVE LITTLE DIRECT SIGNIFICANCE FOR THE US, ASIDE

FROM ITS POTENTIAL IMPACT ON DEVELOPMENT HERE. FURTHER COMMENTARY AND ANALYSIS WILL FOLLOW IN LATER SEPTEL. BYROADE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, COTTON, RICE, INDUSTRY, FLOUR
Control Number: n/a
Copy: SINGLE
Draft Date: 20 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976ISLAMA07358
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760278-0651
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760742/aaaabkcr.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: morefirh
Review Comment: n/a
Review Content Flags:
Review Date: 13 FEB 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 FEB 2004 by ThomasVJ>; APPROVED <27 JAN 2005 by morefirh>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOP NATIONALIZES COTTON-GINNING, RICE-HUSKING AND FLOUR MILLS
TAGS: PGOV, PK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006